



CHINA ERATAT SPORTS FASHION LIMITED

(Company Registration No: 200705552D)

UNAUDITED FIRST QUARTER RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2009

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY RESULTS

1(a)(i) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	First Quarter Ended on		
	30/06/2009	30/06/2008	Change
	RMB'000	RMB'000	%
Revenue	259,735	169,809	52.9%
Cost of sales	(177,654)	(119,750)	48.4%
Gross profit	82,081	50,059	64.0%
Other income	37	1,038	-96.4%
Selling and distribution expenses	(26,102)	(13,251)	97.0%
Administrative expenses	(7,318)	(5,251)	39.4%
Finance income	146	165	-11.5%
Profit before income tax	48,844	32,760	49.1%
Income tax	(13,440)	(4,359)	208.3%
Profit after income tax	35,404	28,401	24.7%
Other comprehensive income	-	-	n.m.
Total comprehensive income for the period	35,404	28,401	

"n.m." denotes "not meaningful"

1(a)(ii) Additional information to the income statement

1. Profit before income tax is arrived at after charging/(crediting):

	First Quarter Ended on		
	30/06/2009	30/06/2008	Change
	RMB'000	RMB'000	%
Interest income	(146)	(165)	-11.5%
Depreciation of property, plant and equipment	1,159	697	66.3%
Amortisation of land use rights	130	129	0.8%
Amortisation of prepaid land lease	48	-	n.m.
Foreign exchange loss/(gain), net	48	(1,038)	-104.6%

"n.m." denotes "not meaningful"

Notes:

- a) The increase in depreciation of property, plant and equipment was mainly attributable to higher assets, of which most were acquired in the second half of FY2009.
- b) During the last financial period ended on 30 June 2008 ("**FY09Q1**"), foreign exchange gain (net) of RMB1.0 million arose from remittances of Singapore dollars denominated IPO proceeds to the PRC subsidiaries.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	GROUP		COMPANY	
	30/06/2009	31/03/2009	30/06/2009	31/03/2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets				
Property, plant and equipment	73,477	73,579	21	22
Land use rights	22,847	22,977	-	-
Prepaid land lease	592	640	-	-
Investment in subsidiaries	-	-	48,504	48,504
Goodwill	1,759	1,759	-	-
	<u>98,675</u>	<u>98,955</u>	<u>48,525</u>	<u>48,526</u>
Current Assets				
Inventories	12,509	10,986	-	-
Trade receivables	237,226	167,726	-	-
Other receivables	61,596	58,995	127	179
Prepaid land lease	192	192	-	-
Amounts due from subsidiaries	-	-	188,369	191,074
Cash and bank balances	135,493	154,251	4,416	2,459
	<u>447,016</u>	<u>392,150</u>	<u>192,912</u>	<u>193,712</u>
Total Assets	<u>545,691</u>	<u>491,105</u>	<u>241,437</u>	<u>242,238</u>
Equity				
Share capital	239,159	239,159	239,159	239,159
Reserves	239,923	204,519	(9,149)	(8,074)
	<u>479,082</u>	<u>443,678</u>	<u>230,010</u>	<u>231,085</u>
Current Liabilities				
Trade and bills payables	26,203	17,060	-	-
Other payables	27,612	24,011	1,643	1,369
Amounts due to subsidiaries	-	-	9,784	9,784
Amount due to a director	-	175	-	-
Provision for income tax	12,794	6,181	-	-
	<u>66,609</u>	<u>47,427</u>	<u>11,427</u>	<u>11,153</u>
Total Liabilities	<u>66,609</u>	<u>47,427</u>	<u>11,427</u>	<u>11,153</u>
Total Equity and Liabilities	<u>545,691</u>	<u>491,105</u>	<u>241,437</u>	<u>242,238</u>

Analysis of balance sheets

A. The Group

1. The increase in trade receivables was in line with the Group's increase in sales activities.

The trade receivable turnover days for the current reported financial period was 64 days. The trade receivables ageing of the Group is as follows:

(RMB 'mil)	1 to 60 days	61 to 90 days	91 to 180 days	Total
Balance as at 30.06.2009	217.5	19.7	-	237.2
Percentage	91.7%	8.3%	-	100.0%

2. The increase in other receivables was mainly attributed to trade deposits placed with suppliers for raw materials and apparel products.
3. The increases in trade, bills and other payables were in line with the Group's increase in sales activities.

B. The Company

1. The amounts due from subsidiaries are mainly advances to subsidiaries for working capital purposes. The amounts due are unsecured, interest free and are repayable on demand.

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year

None.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	First Quarter Ended on	
	30/06/2009	30/06/2008
	RMB'000	RMB'000
Cash flows from operating activities :		
Profit before income tax	48,844	32,760
Adjustments for :		
Interest income	(146)	(165)
Depreciation of property, plant and equipment	1,159	698
Amortisation of land use rights	130	129
Amortisation of prepaid land lease	48	-
Operating cash flows before movements in working capital	50,035	33,422
Inventories	(1,523)	(26,941)
Trade and other receivables	(72,101)	1,697
Trade and other payables	12,744	37,534
Due to directors	(175)	-
Cash generated from operations	(11,020)	45,712
Income tax paid	(6,827)	(2,224)
Net cash (used in)/generated from operating activities	(17,847)	43,488
Cash flows from investing activities :		
Interest received	146	165
Purchase of property, plant and equipment	(31)	(7,682)
Construction-in-progress	(1,026)	(206)
Proceeds from disposal of property, plant and equipment	-	30
Net cash used in investing activities	(911)	(7,693)
Cash flows from financing activities :		
Proceeds from issue of shares	-	170,170
Pledged deposits	-	570
Net cash from financing activities	-	170,740
Net (decrease)/increase in cash and cash equivalents	(18,758)	206,535
Cash and cash equivalents at beginning of financial period/year	154,251	3,902
Cash and cash equivalents at end of financial period/year	135,493	210,437
Cash and cash equivalent comprise :		
Cash and bank balances	135,493	210,512
Less: Pledged deposits	-	(75)
	135,493	210,437

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP	Share capital RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
Balance at 1 April 2008	68,991	10,957	2,545	60	81,136	163,689
Profit for the period	-	-	-	-	28,401	28,401
Total comprehensive income	-	-	-	-	28,401	28,401
New shares issued	170,170	-	-	-	-	170,170
Balance at 30 June 2008	239,161	10,957	2,545	60	109,537	362,260
Balance at 1 April 2009	239,159	10,957	2,545	(16,043)	207,060	443,678
Profit for the period	-	-	-	-	35,404	35,404
Total comprehensive income	-	-	-	-	35,404	35,404
Balance at 30 June 2009	239,159	10,957	2,545	(16,043)	242,464	479,082
COMPANY						
Balance at 1 April 2008	68,991	-	-	-	(2,290)	66,701
Loss for the period	-	-	-	-	(935)	(935)
Total comprehensive income	-	-	-	-	(935)	(935)
New share issued	170,170	-	-	-	-	170,170
Balance at 30 June 2008	239,161	-	-	-	(3,225)	235,936
Balance at 1 April 2009	239,159	-	-	(16,213)	8,139	231,085
Loss for the period	-	-	-	-	(1,075)	(1,075)
Total comprehensive income	-	-	-	-	(1,075)	(1,075)
Balance at 30 June 2009	239,159	-	-	(16,213)	7,064	230,010

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

	<u>Number of Ordinary Shares</u>	<u>Resultant Issued Share Capital</u>	
		<u>S\$'000</u>	<u>RMB'000</u>
Share capital as at 1 April 2009 and 30 June 2009	414,912,514	47,647	239,159

The Company does not have any treasury shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the preceding year

	<u>Group</u>		<u>Company</u>	
	<u>30/06/2009</u>	<u>31/03/2009</u>	<u>30/06/2009</u>	<u>31/03/2009</u>
Number of issued shares	414,912,514	414,912,514	414,912,514	414,912,514

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited nor reviewed by the auditors.

3 *Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)*

Not applicable.

4 *Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied*

The Group has applied the same accounting policies and methods of computation for the current reporting period ended 30 June 2009 as those used for the audited financial statement as at 31 March 2009, except for the adoption of the new or revised Financial Reporting Standards ("FRS") applicable for the financial period beginning 1 April 2009.

Among the new or revised FRS is Revised, FRS 1 *Presentation of Financial Statement* which requires an equity to present, in a statement of changes equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are presented in a statement of comprehensive income. Revised FRS 1 does not have any impact on the Group's financial position or results.

5 *If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change*

On 1 April 2009, the Group adopted Revised, FRS 1 *Presentation of Financial Statements* as described above.

6 *Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-*

(a) Based on the weighted average number of ordinary shares on issue; and

(b) On a fully diluted basis (detailing any adjustments made to the earnings)

	Financial Year Ended on	
	30/06/2009	30/06/2008
Profit attributable to shareholders of the Company (RMB'000)	35,404	28,401
<u>Number of shares</u>		
Weighted average number of ordinary shares in issue for basic EPS	414,912,514	392,955,036
Earnings per share (RMB cents)		
- Basic	8.53	7.23

Diluted earnings per share is not presented as there is no potential dilutive ordinary share existing during the relevant financial years presented.

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and

(b) immediately preceding financial year

	Group		Company	
	30/06/2009	31/03/2009	30/06/2009	31/03/2009
Net assets (RMB'000)	479,082	443,678	230,010	231,085
Number of shares	414,912,514	414,912,514	414,912,514	414,912,514
Net assets value per share (RMB cents)	115.47	106.93	55.44	55.69

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Our performance for the financial period ended on 30 June 2009 ("FY10Q1") remained strong, with the revenue increased by 52.9% to RMB259.7 million.

Revenue

	FY10Q1	FY09Q1	Change	
	RMB mil	RMB mil	RMB mil	%
Footwear	159.5	108.8	50.7	46.6%
Apparel	100.2	61.0	39.2	64.3%
	<u>259.7</u>	<u>169.8</u>	89.9	52.9%

The increase in revenue was contributed by:

- (i) an increase in revenue contribution from our sports footwear segment of RMB50.7 million (or 46.6%) to RMB159.5 million in FY10Q1; and
- (ii) an increase in revenue contribution from our sports apparel segment of RMB39.2 million (or 64.3%) to RMB100.2 million in FY09Q1.

The increase in revenue was mainly due to higher sales of both product segments achieved in FY10Q1 as a result of the success of our product development and sales and marketing strategies to further penetrate into our existing and new markets. The sales contribution by individual distributors also increased proportionately.

Accordingly, our distribution network expanded to increase the number of retail locations of our ERATAT products from 1635 retail locations via PRC Distributors as at the end of FY09 to 1645 retail locations as at the end of FY10Q1.

Profitability

In line with the 52.9% increase in our revenue during FY10Q1, our cost of sales also increased by RMB57.9 million (or 48.4%) to RMB177.7 million.

Our gross profit increased by RMB32.0 million (or 64.0%) to RMB82.1 million in FY10Q1, while overall gross profit margin increased from 29.5% in FY09Q1 to 31.6% in FY10Q1. This was mainly due to:

- increase in apparel segment sales contribution to 38.6% of total revenue (FY09Q1: 35.9%), which generates higher gross profit margin;
- improvement in gross profit margin of footwear as about 18% of our footwear in FY10Q1 was outsourced to third party manufacturers in PRC, as compared to about 29% in FY09Q1;
- sales of third party brand footwear had also reduced to 3% of total revenue in FY10Q1 (FY09Q1: 7%).

The selling and distribution expenses, which represented about 10.0% (FY09Q1: 7.8%) of the overall revenue, increased by RMB9.9 million (or 97.0%) to RMB26.1 million in FY10Q1. The increase in selling and distribution expenses was mainly attributable to increase in advertising and promotional expenses, which was caused by our increased marketing and sales activities, leading to higher sales volumes as aforesaid, as well as higher apparel product development expenditure to expand the apparel product range.

The administrative expenses, which represented about 2.8% (FY09Q1: 3.1%) of the overall revenue, increased by RMB2.1 million (or 39.4%) to RMB7.3 million. The increase was mainly due to an increase in staff and administrative related expenses to meet the needs of our increased business activities as aforesaid.

Profit before income tax and profit before income tax margin

Our profit before income tax increased by RMB16.1 million (or 49.1%) to RMB48.8 million in FY10Q1. The increase in profit was in line with the higher revenue and gross profits arising from our business activities, which were offset by increases in selling and distribution expenses and administrative expenses, as aforementioned. Our profit before income tax margin decreased marginally from 19.3% in FY09Q1 to 18.8% in FY10Q1.

Taxation

Our income tax expense increased by RMB9.1 million (or 208.3%) RMB13.4 million in FY10Q1. This was in line with the increase in profit before income tax as aforementioned. In addition, the concessionary tax rate of 12.5% in Haimingwei had expired on 31 December 2008, and it was subject to tax rate of 25% since 1 January 2009, thus resulting in higher tax expense during this financial period under review.

Use of IPO Proceeds

	Intended use as per Prospectus dated 8 April 2008		Utilised as at 30 June 2009	Unutilised Balance
	SGD mil	RMB mil	RMB mil	RMB mil
Expansion of production capacities and facilities	10.0	50.8	27.2	23.6
Expansion of market presence and distribution network	3.0	15.2	15.2	-
Strengthen of ERATAT brand image and recognition	3.0	15.2	15.2	-
Enhance product development capabilities and expand existing range of ERATAT products	1.0	5.1	5.1	-
Working capital	17.3	87.9	87.9	-
	34.3	174.2	150.6	23.6

Update on Internal Controls

The Company's internal auditor, Scott Y.K. Heung & Company (a CPA firm from Hong Kong) completed its audit of second business cycle in July 2009

In July 2009, the Company's internal auditor, Scott Y.K. Heung & Company (a CPA firm from Hong Kong) ("IA") had carried out their second internal audit review on the Company's principal subsidiary company, Fujian Haimingwei Shoes Co., Ltd, for the following business cycles:

- Revenue and Collections Cycle; and
- Fund Management and Disbursement.

The Audit Committee had reviewed the findings by the IA and noted no significant internal control weakness. The Management will be following up with the recommendations in the IA Report.

9 *Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results*

No forecast had been issued for the financial period under review.

10 *A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months*

We will continue with our cooperation with Anhui TV (安徽卫视) to capture our target customers (namely the youths and adults). Following our successful TV reality programme called “Eratat Mountain Climbing Show” (鳄莱特登山运动会) in 2008, we had launched another new series called “Eratat Life Sports Show” (鳄莱特生活运动会) in January 2009, which will be shown weekly from April to November 2009. This programme was solely sponsored by us, to engage the TV audience to actively participate in the reality shows. Advertisements of our Eratat Brand will also be shown multiple times on the station daily to increase awareness of our brand.

We believe that such wide coverage by the media can accelerate the awareness of Eratat brand across China.

Barring any unforeseen circumstances, the Board of Directors is cautiously optimistic about the Group’s financial performance in FY2010.

11 *Dividend*

(a) Any dividend declared for the current period reported on?

None.

(b) Any dividend declared for the previous corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Book closure date and time

Not applicable.

12 *If no dividend has been declared (recommended), a statement to that effect*

Not applicable.

13 *Interested Person Transactions for the financial period ended 30 June 2009*

There are no interested person transactions for the financial period ended 30 June 2009 pursuant to Chapter 9 of the Listing Manual.

BY ORDER OF THE BOARD

Lin Jiancheng (林建程)
Executive Chairman & CEO

30 July 2009

Confirmation pursuant to the Rule 705(4) of the Listing Manual

Pursuant to SGX Listing Rule 705(4) of the Listing Manual, we, Lin Jiancheng and Ye Sanzhi, on behalf of the Board of Directors of the Company, do hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited results of the Company and of the Group for the financial period ended 30 June 2009 to be false or misleading.

ON BEHALF OF THE BOARD

Lin Jiancheng (林建程)
Executive Chairman & CEO

Ye Sanzhi (叶三支)
Director

Kim Eng Capital Pte. Ltd. ("Kim Eng") was the issue manager in the initial public offering of the Company. This announcement has been prepared and released by the Company. Kim Eng assumes no responsibility for the contents of this announcement.